

Activities," provides information on credit totals. This includes summary tables on the federal participation in domestic credit (F-1), total direct loans and loan guarantees by function (F-7), and interest subsidy values and costs for newly committed federal credit assistance (F-11a and F-11b). Detailed data on each credit program are provided by account in the Appendix to the budget in the schedules entitled "Status of Direct Loans" and "Status of Loan Guarantees." Samples of these schedules are contained in Appendix B. The narrative on each program often contains information on the number of loans to be made or guaranteed, the approximate value of each, and the terms under which they are issued. Information relating to the average interest rates and maturities of all direct loans is not in this narrative. It can be found, however, in Tables 11a and 11b of Special Analysis F.

#### PLAN OF THE PAPER

This paper provides information to assist the Congress in reviewing the 1982 and 1983 credit budget totals and the Administration's proposed limitations on individual programs. Chapter II discusses the Administration's new credit budget proposals for 1982 and 1983, as presented in the President's February budget. Chapter III discusses Congressional action on credit budget resolutions and appropriations limitations. Chapter IV describes each active program in the credit budget by function.

The paper provides an overview of the Administration's 1983 credit budget, bringing together information from all of the Administration's budget documents. It also presents comparisons between the 1982 credit budget acted upon by the Congress and the Administration's new proposals for 1982 and 1983. The paper does not provide Congressional Budget Office (CBO) reestimates of the lending activities proposed by the Administration.

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## CHAPTER II. OVERVIEW OF THE ADMINISTRATION'S CREDIT PROPOSALS

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The Administration's 1983 credit budget proposes that the Congress set a target of \$147.3 billion for credit assistance in its concurrent budget resolution and requests limitations for many individual programs. The Administration has also proposed substantial revisions to the 1982 credit budget. To achieve proposed 1982 program levels, the Administration has requested reductions in enacted appropriations limitations for some programs; it proposes administrative changes for others; and some programs will decline simply because of economic conditions. This chapter reviews the Administration's credit budget proposals.

### CREDIT BUDGET TOTALS

The Administration's credit budget for 1983 projects that total credit activity will rise slightly from its estimated credit totals for 1982. Estimates of 1982 activity, however, assume substantial cuts from the credit budget approved by the 97th Congress during its first session. With these cuts, the Administration's 1983 credit budget would significantly reduce credit activity for most programs.

The Administration's 1983 credit budget requests \$49.0 billion in new direct loan obligations and \$98.4 billion in new primary loan guarantee commitments. The 1983 request for new direct loans is 13 percent below the revised request for 1982 and 19 percent below the 1982 base. The 1983 request for primary loan guarantees is 13 percent above the revised request for 1982, but 6 percent below the 1982 base. The major reason for the increase in primary guarantees is the expected improvement in housing markets and a corresponding increase in demand for federal housing assistance. The Administration estimates that credit budget totals will increase by 3 percent in 1983 over its revised credit budget for 1982. The 1983 request for secondary guarantees calls for a 21 percent decrease from the 1982 revised request and a 44 percent decrease from the 1982 base.

The "1982 base" concept, included in Table 1 and elsewhere in this report, provides a comparison with credit program levels prior to adjustment for the Administration's current year policy changes. The 1982 base figures are the estimates for the credit budget used by the Congress in the first session of the 97th Congress, both in compiling the concurrent budget resolutions for 1982 and in action on 1982 appropriations limitations. When they have been enacted, appropriated limitations were used to determine

the 1982 base. Estimates for open-ended direct loan programs not limited by appropriations were adjusted to reflect action on budget authority when appropriate. The 1982 base has been adjusted to show full principal rather than contingent liability to facilitate comparison with the Administration's numbers.

TABLE 1. TOTAL CREDIT BUDGET (By fiscal year, in billions of dollars)

Credit Activity	1981 Actual	1982 Base <u>a/</u>	Administration Estimates	
			1982	1983
Direct Loan Obligations				
On-budget	40.9	42.7	39.9	31.8
Off-budget	31.5	31.3	29.7	25.6
Gross Direct Loan Obligations	72.4	73.9	69.5	57.3
Less FFB sales of loan assets	-15.2	-13.5	-13.2	-8.3
New Direct Loan Obligations	57.2	60.5	56.4	49.0
-----				
New Loan Guarantee				
Commitments	152.7	205.7	166.1	161.5
Less				
Secondary loan guarantees	-44.1	-68.8	-48.7	-38.4
Guaranteed loans held as direct loans				
FFB	-30.3	-30.0	-28.5	-24.7
GNMA	- 1.8	- 2.0	- 1.9	---
Primary Guarantees	76.5	104.9	87.1	98.4
-----				
Credit Budget Total	133.7	165.4	143.4	147.3

SOURCE: The Administration estimates are taken from the Budget of the U.S. Government, Fiscal Year 1983, Part 3, p. 3-24; 1982 base figures are taken from the CBO's Credit Budget Scorekeeping System.

a/ Adjusted to reflect full principal for loan guarantees rather than contingent liability, an increase of \$17.1 billion in primary guarantees.

One important accounting change in the credit budget for 1983 is that loan guarantees are measured by the full principal amount of the guaranteed loan and not just by that portion of principal guaranteed, for example, 90 percent. In the 1981 and 1982 credit budgets, loan guarantee figures reflected only the government's contingent liability and not the full amount of partially guaranteed loans. This shift better reflects the effect of loan guarantees on capital markets, by showing the total amount of resources affected by the government's intervention. This change is of consequence for only one large program: Veterans Administration (VA) mortgage guarantees. The adjustment of 1982 base figures to full principal increases the primary guarantee figure by approximately \$17 billion. The contingent liability, or actual portion of the loan that the government would have to pay in the case of default, is still shown in memorandum entries in the Appendix to the 1983 budget.

#### REVISIONS TO THE 1982 CREDIT BUDGET

In its September budget statement, the Administration announced its intention to reduce the credit budget to restrain federal credit demands on private markets and reduce interest rate pressures in the open markets. In November, the Administration released details of \$20.3 billion in cuts for 1982 loan guarantee programs. The Administration's revised request for 1982 included in the February budget incorporates most of those cuts. It proposes reductions of \$5.5 billion in direct loans, \$19.1 billion in primary loan guarantees (see Table 2). It also proposes cutting secondary loan guarantees by \$20.2 billion. The majority of the proposed reductions result from changing economic conditions or administrative actions to restrict program eligibility. Specific legislation is proposed to establish lower appropriations limitations for a number of programs (see Table 3 on page 14).

Most of the large credit budget cuts for 1982 reflect the Administration's reestimates of program requirements. The largest direct loan cut involves the National Credit Union Administration's Central Liquidity Facility, for which the previous estimate was inflated far beyond program requirements. The actual demand for loans by credit unions is expected to be \$330 million, a reduction of \$3.3 billion. This change results from a reestimate by the Administration and reflects no program changes. The largest loan guarantee adjustments are in Federal Housing Administration (FHA) and Veterans Administration (VA) housing programs, both of which show significant reductions because of the economic conditions in the housing market and the resulting decline in demand from qualified borrowers. The elimination of all loan guarantees for the Synthetic Fuel Corporation is based on an Administration policy decision that all projects will be supported through price guarantees that are not considered credit

assistance. While this decision is within the Administration's discretion, it is a restrictive interpretation of the Synthetic Fuel Corporation's charter, which also provided for loan guarantees. Small Business Administration (SBA) surety bond guarantees are also eliminated, based on a change in definitions. The Administration no longer views surety bond guarantees, which are primarily used to guarantee the performance of construction contractors, as credit assistance. While the government does assume a contingent liability, surety bond guarantees are not guarantees of loans and do not involve the allocation of credit.

TABLE 2. MAJOR CHANGES IN THE 1982 CREDIT BUDGET TOTALS (In billions of dollars)

Major Programs	Direct Loan Obligations	Guaranteed Loan Commitments
1982 Credit Budget Base	60.5	104.9
Changes		
Central Liquidity Facility	-3.3	---
Rural Electrification Administration	---	-0.9
Export-Import Bank	---	-1.2
Federal Housing Administration fund	---	-11.4
Synthetic Fuels Corporation	---	-2.0
Small Business Administration surety bonds guarantees	---	-1.2
Guaranteed student loans	---	+ 2.5
Veterans Administration housing	---	-5.7
Other	<u>-2.8</u>	<u>+ 2.1</u>
Total change	- 6.1	-17.8
Revised 1982 Credit Budget Totals	56.4	87.1

SOURCE: CBO's Credit Budget Scorekeeping System.

The only sizable increase in the Administration's revised 1982 credit budget is \$2.5 billion in the estimate for the guaranteed student loan program, raising its level to \$9.5 billion.

The Administration has proposed new appropriations limitations whenever the 1982 revised credit total requests are lower than the currently authorized direct loan obligations and loan guarantee commitments. In many cases, appropriations limitations for credit programs have established the ceilings for new direct loan obligations and loan guarantee commitments. In others, the authorization for the program establishes a limit on the program level. The Administration's requested limitations would further restrict the program levels however they are set (see Table 3). The largest decrease is the proposed \$20.2 billion cut in the appropriations limit for the Government National Mortgage Association (GNMA) mortgage-backed securities, a secondary guarantee program. Reductions in appropriated limits are also proposed for both the direct loans and loan guarantees of the International Trade Administration, loan guarantees of the Rural Electrification Administration (REA), and aircraft purchase loan guarantees. The limitations proposed for the Economic Development Administration (EDA) and the SBA would restrict authorizations rather than revise previously enacted appropriations limitations.

### THE 1983 CREDIT BUDGET

The Administration's 1983 credit budget request proposes further cuts. Table 4 lists major changes between the Administration's revised 1982 and 1983 proposals. The major changes for direct loan programs are reductions in the Farmers Home Administration's (FmHA) rural housing and rural development programs and elimination of SBA direct loans to businesses. The Administration has also proposed no direct loans for the Commodity Credit Corporation (CCC) programs of short- and medium-term export loans. (No CCC direct loans for exports were obligated in 1981 or 1982, but a \$2 billion limitation was enacted for 1982.) The major increases in guarantee loan commitments are for VA and FHA mortgage guarantees and low-income public housing. As noted previously, the increase reflects anticipated higher demand for housing, rather than a policy change. The increase in low-income housing guarantees results from the assumed refinancing of existing short-term bonds and notes already outstanding to finance public housing projects. It does not reflect new federal investment in low-income public housing.

The Administration's credit budget proposals assume no additional direct loan obligations or loan guarantee commitments for a number of existing credit programs in either 1982 or 1983. The total reductions amount to direct loan savings from the 1982 base of \$1.4 billion in 1982 and \$3.6 billion in 1983. The loan guarantee savings from the 1982 base are estimated to be \$3.3 billion in 1982 and \$4.4 billion in 1983. Table 5 lists the affected programs. In the Omnibus Reconciliation Act of 1981, the Congress concurred with the Administration's proposal to make the National

TABLE 3. NEW PROPOSALS FOR 1982 APPROPRIATIONS LIMITATIONS  
(In millions of dollars)

Program	Direct Loans		Loan Guarantees <sup>a/</sup>	
	Enacted Limitation	Proposed Limitation	Enacted Limitation	Proposed Limitation
Economic Development Administration	---	30	---	45
International Trade Administration	20	12	38	28
Small Business Administration				
Business Loan and Investment Fund	---	---	---	2,735
Pollution Control Equipment	---	---	---	150
Rural Electrification Administration	---	---	5,145	4,245
Aircraft Purchase Loan Guarantee Program	---	---	100	50
Government National Mortgage Association				
Guarantees of mortgage- backed securities <sup>b/</sup>	---	---	68,250	48,000

SOURCE: Appendix to the Budget of the U.S. Government, Fiscal Year 1983, Part III, "Proposed Supplementals and Rescission Proposals."

<sup>a/</sup> Amount shown reflects contingent liability for loan principal.

<sup>b/</sup> GNMA mortgage-backed securities are secondary guarantees and, as such, are deleted from the credit budget totals to avoid double counting.

Consumer Cooperative Bank a private enterprise. The Congress has previously rejected proposals to terminate funding for college housing loans and the GNMA tandem plan.

TABLE 4. MAJOR CHANGES BETWEEN THE REVISED 1982 AND 1983 CREDIT BUDGET TOTALS (In billions of dollars)

Major Programs	Direct Loan Obligations	Guaranteed Loan Commitments
Revised 1982 Credit Budget Totals	56.4	87.1
Changes		
Export-Import Bank	-0.6	---
Farmers Home Administration	-2.6	-0.6
Rural Electrification Administration	-0.4	-0.5
Small Business Administration	-0.4	-0.3
Low-income public housing	-0.5	1.5
International security assistance	1.0	0.8
CCC export loans	-2.0	---
FHA fund	-0.1	6.4
Veterans Administration housing	a/	2.9
Other	-1.8	1.0
Total change	-7.4	11.3
1983 Credit Budget Totals	49.0	98.4

SOURCE: Budget of the U.S. Government, Fiscal Year 1983, Part 3, p. 3-25.

a/ Less than \$50 million.

The Administration's 1983 proposal for \$49.0 billion in total direct loans far exceeds the amount that actually will be lent directly by federal agencies for new activities (see Table 6). Direct lending for new activities will be limited to \$23.5 billion or 48 percent of the proposed total new direct loan obligations. Support to farmers and rural communities through the CCC and the FmHA will account for \$11.9 billion; international assistance and aid to U.S. exporters will amount to another \$7.6 billion. Direct loans for new activities have been reduced by 33 percent since 1981, a far larger cut than the 14 percent cut in total new direct loans would suggest.



TABLE 5. CREDIT PROGRAMS FOR WHICH NO FUNDS ARE REQUESTED IN 1983 (By fiscal year, in millions of dollars)

Credit Program	1982		1983 Estimate
	Base	Revised Request	
Direct Loan Obligations			
Energy supply, R & D	6	---	---
Self-help housing	2	2	---
International Trade Administration	20	12	---
Self-help development	14	11	---
National Consumer Co-op Bank	260	---	---
Federal Savings and Loan Insurance Corporation (FSLIC)	877	---	---
GNMA tandem plan	1,973	1,983	---
Rail service assistance	113	35	---
Regional rail reorganization program	1	1	---
Coastal energy impact	7	1	---
College housing loans	75	---	---
Student financial assistance	286	179	---
Subtotal	3,634	2,224	---
Loan Guarantee Commitments			
Defense production guarantees	30	---	---
Synthetic Fuels Corporation	2,000	---	---
SBA surety bond guarantees	1,200	---	---
Rail service assistance	34	---	---
Aircraft purchase loan guarantees	100	55	---
Railroad rehabilitation and improvement financing fund	270	135	---
Community development grants	225	125	---
Guarantees of Student Loan Marketing Association obligations	500	700	---
Subtotal	4,359	1,015	---

SOURCE: Administration estimates are taken from the Status of Direct Loans and Loan Guarantees schedules in the Appendix to the Budget of the U.S. Government, Fiscal Year 1983; 1982 Base figures are taken from the CBO's Credit Budget Scorekeeping System.

TABLE 6. DISTRIBUTION OF DIRECT LOAN OBLIGATIONS BY PURPOSE  
(By fiscal year, in billions of dollars)

Purpose	1981 Actual	1982 Base	<u>Administration Estimate</u>	
			1982	1983
New Direct Loans	35.1	34.9	30.9	23.5
Direct Loans to Repay Guarantee Claims	2.5	2.4	2.4	2.3
Direct Loans to Repurchase Loan Assets	4.5	7.6	7.6	6.8
Agency Guaranteed loans Held as Direct Loans by the FFB	<u>15.1</u>	<u>15.6</u>	<u>15.2</u>	<u>16.4</u>
Total	57.2	60.5	56.1	49.0

SOURCE: Administration estimates are taken from the Status of Direct Loans and Loan Guarantees schedules in the Appendix to the Budget of the U.S. Government, Fiscal Year 1983; 1982 Base figures are taken from CBO's Credit Scorekeeping System.

The other half of total direct loans that will not result in direct lending by federal agencies fall into three categories. First, direct loans to cover guarantee default claims will account for \$2.3 billion or 5 percent of the total direct loans. Second, \$6.8 billion, or 14 percent, will be obligated to repurchase loan assets held by the FFB. These loan asset repurchases are required because, in an attempt to hold down program interest costs, the Farmers Home Administration and the Rural Electrification Administration originally financed long-term loans with shorter-term loan asset sales to the FFB. The remaining 34 percent of total direct loans will be for agency-guaranteed loans held and disbursed by the FFB (see Table 7). The agency-guaranteed loans support new activities similar to direct loans for new activities, but as FFB loans differ in two respects: they are off-budget and the funds are lent at near Treasury borrowing rates rather than subsidized rates.

The Administration also proposes to reduce total federal borrowing through reductions in the transactions of the off-budget Federal Financing Bank (FFB). Net outlays from FFB activities are estimated to drop from \$21 billion in 1981 to \$12 billion in 1983 (see Table 7). The FFB purchases

transactions result in off-budget outlays.<sup>3/</sup> To finance its purchases, the FFB borrows from the Treasury. The Administration has proposed a significant reduction in loan asset sales by the Farmers Home Administration to the FFB, reflecting reductions in program activity. It has also proposed that the Student Loan Marketing Association no longer finance its activities through the FFB. Table 7 provides an overview of the distribution of FFB lending.

For 1983, the Administration has continued to propose exemptions from limitation for a substantial portion of the credit budget (see Table 8). A majority of these programs are entitlements or mandatory programs, such as direct loans for the Commodity Credit Corporation (CCC) price supports, guaranteed student loans, and Veterans Administration mortgage guarantees. The Administration also continues to exempt the financing transactions of the Federal Financing Bank (FFB) from limitation, an action that potentially leads to an uncontrolled increase in off-budget outlays. Exemptions are proposed for a limited number of programs for other policy reasons, as follows:

1983 Request  
(In millions of dollars)

<u>Program</u>	<u>Direct Loans</u>	<u>Guaranteed Loans</u>
Public Law 480 Export Sales	767	---
CCC Export Credit	---	2,500
Federal Highway Administration	32	---
College Housing Loans	100	---
Tennessee Valley Authority	80	5,289
NASA Satellite Leases	---	171

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<sup>3/</sup> See Congressional Budget Office, The Federal Financing Bank and the Budgetary Treatment of Federal Credit Activity (January 1982).

TABLE 7. DISTRIBUTION OF FEDERAL FINANCING BANK DIRECT LENDING (By fiscal year, in millions of dollars)

Credit Activity	1981 Actual	Administration Estimates	
		1982	1983
Purchases of Agency Loan Assets			
Farmers Home Administration	14,510	12,521	7,804
Rural Electrification Admin.	683	623	525
Health Maintenance Organizations	<u>15</u>	<u>28</u>	<u>16</u>
Subtotal	15,208	13,173	8,346
Agency-Guaranteed Loans Held as Direct Loans			
Foreign military credit sales	2,505	3,320	4,400
Rural Electrification Admin.	4,007	4,311	4,136
Student Loan Marketing Assoc.	1,955	700	---
Alternative fuels and other energy programs	18	498	915
Low-rent public housing	822	1,261	1,026
Railroad programs	1,794	173	58
TVA--Seven States Energy Corporation	3,624	4,285	5,289
Other	<u>336</u>	<u>656</u>	<u>531</u>
Subtotal	15,061	15,204	16,355
Total FFB New Lending	30,269	28,377	24,701
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Net Outlays	20,956	16,217	12,071

SOURCE: Administration estimates are taken from Special Analysis F of the Budget of the U.S. Government, Fiscal Year 1983; Table F-5.

TABLE 8. DISTRIBUTION OF CREDIT BUDGET REQUESTS BETWEEN THOSE PROPOSED FOR APPROPRIATIONS LIMITATIONS AND THOSE EXEMPTED (By fiscal year, in billions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Programs Under Appropriations Limitations	16.6	16.3	14.8	77.6	93.8	93.1
Programs Exempt from Appropriations Limitations						
Entitlement and mandatory programs	8.3	10.2	7.8	38.8	47.3	52.5
Insurance programs	a/	a/	a/	.1	.1	.1
Financing transactions	34.8	36.0	31.4	14.6	12.6	7.8
Defaulting guaranteed loans	2.5	2.4	2.3	---	---	---
Other policy exemptions	1.0	1.2	1.0	5.8	7.0	8.0
Programs previously exempted	9.2	3.3	---	15.8	5.4	---
Subtotal, exempt programs	55.8	53.2	42.5	75.1	72.3	68.4
Less Deductions to Eliminate Double Counting	-15.2	-13.2	-8.3	-76.2	-79.1	-63.1
Credit Budget Totals	57.2	56.4	49.0	76.5	87.1	98.4

SOURCE: Special Analysis F of the Budget of the U.S. Government, Fiscal Year 1983, Table F-2.

a/ Less than \$50 million.

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## CHAPTER III. CONGRESSIONAL ACTION ON THE CREDIT BUDGET

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The Congress exercises control of the credit budget by setting nonbinding targets for aggregate new credit activities in the concurrent budget resolutions and by enacting limitations on individual programs in appropriations legislation. Credit budget targets were first included in the concurrent budget resolutions for 1981 and 1982. During the first session of the 97th Congress, both the House and Senate Budget Committees considered legislation providing for the formal inclusion of the credit budget in the Congressional budget process. This chapter describes actions taken by the Congress on the credit budget during that session.

### BUDGET RESOLUTIONS

In the concurrent budget resolutions for 1982, the Congress set targets for direct loans and for primary and secondary loan guarantees (see Table 9). The Administration's revised 1982 request for direct loans exceeds the budget resolution target. The revised requests for primary and secondary guarantees are substantially below the targets. The differences between these targets and the revised requests result from the Administration's cuts in loan guarantee programs and from reestimates because of changed economic conditions.

### APPROPRIATIONS LIMITATIONS

The Congress enacted appropriations limitations for 1982 on 38 percent of total direct loan obligations and 73 percent of total loan guarantee commitments. (The basis for these percentages is the Administration's July 1981 request, the last formally transmitted request prior to action on the appropriations bills.) These limitations amounted to 94 percent of the direct loan amounts proposed for limitation by the Administration and 104 percent of the limitations requested for guarantees. Table 10 provides a comparison between the July request, appropriations action, and the revised request for 1982.

Most of the subcommittees responded to the Administration's proposed limitations by setting limitations. In some cases, however, limitations were not enacted. The foreign operations bill did not include limitations for either the functional development assistance program or the economic support fund. The program levels for these programs were determined by the budget authority appropriated. The Commerce, Justice, State and Judiciary bill has not yet been enacted and the continuing resolution did not

include limitations for the largest credit programs covered by this bill--the SBA and federal ship financing programs. The Senate appropriations bill included limitations for these programs, but the House bill did not. In three instances the Congress enacted program limitations that the Administration had not requested: the Overseas Private Investment Corporation, National Consumer Cooperative Bank, and the college housing program.

TABLE 9. COMPARISON BETWEEN THE BUDGET RESOLUTION FOR FISCAL YEAR 1982 AND THE PRESIDENT'S REQUESTS FOR FISCAL YEARS 1982 AND 1983 (In billions of dollars)

	1982		1983 Request
	Budget Resolution	Revised Request	
New Direct Loan Obligations	51.9	56.4	49.0
New Primary Loan Guarantee Commitments	85.1 <u>a/</u>	87.1	98.4
New Secondary Loan Guarantee Commitments	70.1	48.7	38.4
Sense of Congress			
FFB origination of direct loans guaranteed by other federal agencies	16.4	15.2	16.4
FFB purchases of loan assets from federal agencies	6.5	13.2	8.3

SOURCE: Budget Resolution figures are taken from the Conference Report on the First Concurrent Resolution on the Budget--Fiscal Year 1982. Administration estimates are taken from the CBO's Credit Budget Scorekeeping System.

a/ The Administration's requests for 1982 and 1983 are stated in terms of the full principal of the loans guaranteed. A comparable figure for the budget resolution would be \$102.2 billion.

The final continuing resolution (Public Law 97-92) enacted December 15, 1981, included the "Levin Amendment" (Section 136), language intended to set as mandatory program levels for loan guarantees any limits established in the continuing resolution or in the HUD-Independent Agencies appropriations bill. The amendment was proposed to prevent reductions in

credit programs through administrative actions. It was prompted by the Administration's announcement on November 5, 1981, that it intended to reduce administratively a number of credit programs below the levels established in the appropriations bill. The impoundment control provisions in the Impoundment Control Act of 1974 prohibit impoundment of budget authority enacted by the Congress, but loan guarantees do not require budget authority since they result only in contingent liabilities for the government. Section 136 required commitment of funds up to levels established in the appropriations bill or continuing resolution, except in those programs for which there are insufficient qualified borrowers. The Administration's requests for additional limitations in 1982 responded to this requirement (see Table 5 in Chapter II).

TABLE 10. 1982 APPROPRIATIONS LIMITATIONS ON CREDIT PROGRAMS, BY APPROPRIATIONS SUBCOMMITTEE (In millions of dollars)

Subcommittee	Direct Loans			Loan Guarantees		
	July Request	Approp. Action	Revised Request	July Request	Approp. Action	Revised Request
Agriculture	7,417	10,205	10,206	6,957	7,131	5,021
Commerce, Justice, State, Judiciary	731	20	42	5,608	38	2,958
Defense	---	---	---	30	30	---
District of Columbia	155	145	145	---	---	---
Energy and Water Development	28	67	67	---	---	---
Foreign Operations	7,251	5,160	5,160	11,043	12,554	12,554
HUD-Independent Agencies	8,944	7,577	7,317	100,009	109,231	88,981
Interior	15	15	15	28	28	61
Labor, Health and Human Services, and Education	76	150	76	176	76	276
Transportation	---	---	---	423	373	323
Treasury	---	---	300	---	---	300
Total	24,617	23,340	23,324	124,272	129,459	110,472

SOURCE: CBO's Credit Budget Scorekeeping System.



## NEW CREDIT BUDGET PROPOSALS

The implementation of the federal credit budget to date has been accomplished through adjustments within the Congressional budget process but has not involved changes in law. The budget resolutions have contained nonbinding credit budget targets under the general authority provided by section 301(a)(6) of the 1974 budget act. That language provides for the inclusion in the budget resolutions of "such other matter relating to the budget as may be appropriate to carry out the purposes of this Act." Similarly, the Appropriations Committees have established annual limitations on credit program levels under their general mandate to appropriate revenue for the support of the government (House Rule XXI; Senate Rule XVI). Both Budget Committees initiated efforts during the first session of the 97th Congress to consider formal inclusion of credit in the Congressional budget process.

In the House, the Federal Lending and Oversight Control Act (H.R. 2372), introduced by Congressmen Mineta and Bethune, has 228 cosponsors. This bill provides for the amendment of all relevant sections of Title III and Title IV of the budget act to require inclusion of credit program levels in the Congressional budget process. Budget resolutions, committee reporting requirements, and point of order language would all apply to credit programs. The bill is now pending before the House Committee on Rules, which has jurisdiction over the budget act.

The Senate Budget Committee Task Force on Credit, under the chairmanship of Senator Gorton, is reviewing the economic and budgetary implications of federal credit activity and is expected to recommend appropriate changes in the budget process to the Senate Budget Committee by March 15, 1982. The principal credit budget bill pending in the Senate is S. 265, the Federal Lending Program Control Act of 1981, introduced by Senator Percy. The bill's provisions are similar to the Mineta-Bethune bill. The Senate Governmental Affairs Committee, which shares jurisdiction with the Senate Budget Committee on budget act revisions, has tentatively scheduled a hearing on S. 265 for later this spring.

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## CHAPTER IV. THE CREDIT BUDGET BY MAJOR BUDGET FUNCTION

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This chapter provides a function by function discussion of the Administration's estimates of federal credit activities for 1982 and 1983 and its requested appropriations limitations. A summary table of total direct loan obligations and loan guarantee commitments proposed for 1982 and 1983 is provided for each function containing active credit programs. Actual program levels are given for 1981. The estimates are then discussed in terms of the Administration's requests and CBO's 1982 base.

Data on credit programs in this chapter are from the Appendix to the Budget of the United States Government, Fiscal Year 1983. The source is the series of schedules entitled "Status of Direct Loans" and "Status of Loan Guarantees" that follow the "Programs and Financing" schedule for each budget account containing credit activity. The tables are taken from Part 5 of the Budget, "Meeting National Needs: The Federal Program by Function."

Table 11 summarizes the 1983 proposed credit activities by function. Direct loan programs are concentrated in three functions: agriculture, energy, and international affairs. The majority of guaranteed lending supports housing through the Commerce and Housing, Veterans Affairs, and Income Security functions. The functional distribution of the credit budget was included for the first time in the 1982 targets of the first concurrent resolution and in the House and Senate Budget Committee reports on the resolution.

TABLE 11. CREDIT BUDGET BY FUNCTION, FISCAL YEAR 1983 (In millions of dollars)

Function	Direct Loan Obligations	Primary Guarantee Commitments	Secondary Guarantee Commitments
050 National Defense	---	---	---
150 International Affairs	12,215	7,779	---
250 General Science, Space and Technology	171	---	---
270 Energy	11,182	-1,816 a/	---
300 Natural Resources	39	---	---

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(Continued)

TABLE 11. (Continued)

Function	Direct Loan Obligations	Primary Guarantee Commitments	Secondary Guarantee Commitments
350 Agriculture	13,818	2,631	---
370 Commerce and Housing Credit	5,938	37,730	38,400
400 Transportation	117	542	---
450 Community and Regional Development	1,715	-104 <u>a/</u>	---
500 Education, Training, Employment and Social Services	648	10,300	---
550 Health	40	88	---
600 Income Security	1,031	18,745	
700 Veterans' Benefits and Services	936	22,451	
750 Administration of Justice	---	---	---
800 General Government	---	8	---
850 General Purpose Fiscal Assistance	<u>145</u>	<u>---</u>	<u>---</u>
Total	48,994	98,354	38,400

SOURCE: Budget of the U.S. Government, Fiscal Year 1983, Special Analysis F, Table F-7.

a/ Primary guarantee amounts are negative because the sum of new loan guarantee commitments is less than the sum of adjustments for loan asset sales and guarantees held as default by the FFB.

## FUNCTION 050: NATIONAL DEFENSE

The national defense function contains only one credit program: direct loans and loan guarantees administered by the Department of Defense to assist private businesses to fulfill defense production contracts. No credit has been extended under this program in recent years, however. The Administration does not plan to issue any new loan guarantee commitments during 1982, although a \$30 million limit for this purpose was approved in the 1982 Defense Appropriation Act. The Administration has proposed that no new loan guarantee authority be provided for 1983.

# FUNCTION 150: INTERNATIONAL AFFAIRS

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Foreign Military Sales						
Credit <u>a/</u>	500	750	1,739	2,546	3,084	3,929
Economic Support Fund	274	216	895	---	---	---
Bilateral Development						
Credit	401	403	403	229	250	250
Public Law 480 Food Aid	821	754	767	---	---	---
Export-Import Bank	5,431	4,400	3,830	7,416	8,000	8,000
Other International						
Assistance	165	171	181	---	---	---
Off-Budget Federal Entity						
Federal Financing Bank <u>b/</u>						
Foreign military sales						
credit	<u>2,505</u>	<u>3,320</u>	<u>4,400</u>	<u>---</u>	<u>---</u>	<u>---</u>
Subtotal	10,097	10,014	12,215	10,192	11,334	12,179
Less						
Guaranteed loans held as						
direct loans by the FFB						
Foreign military sales						
credit	<u>---</u>	<u>---</u>	<u>---</u>	<u>-2,505</u>	<u>-3,320</u>	<u>-4,400</u>
Total, interna-						
tional affairs	10,097	10,014	12,215	7,687	8,014	7,779

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit assistance in the international affairs function includes loans to foreign countries for economic development, the purchase of military equipment, and export financing of U.S. surplus commodities. International trade is promoted through assistance to U.S. firms doing business overseas and to foreign countries and businesses making purchases in the United States. The Export-Import Bank is one of the largest federal credit programs.

#### Export-Import Bank

The Export-Import Bank (Eximbank) is a wholly owned government corporation that aids in financing exports by U.S. firms to foreign purchasers. Eximbank provides direct loans, loan guarantees, insurance, or reinsurance on concessionary terms and conditions that lower the cost of U.S. products competitive with foreign products. Eximbank's authority for loans, guarantees, or insurance outstanding is limited to \$40 billion (12 U.S.C. 635e). In addition, an annual limitation on program activity and administrative expenditures has been included in Foreign Assistance Appropriations Acts.

For 1983, the Administration proposes to reduce direct lending by the Bank to \$3.8 billion, a 13 percent cut from the 1982 appropriation. During 1982, the Administration plans to issue \$8 billion in new loan guarantee commitments, a reduction of \$1.2 billion from the appropriated limitation. The Administration intends to use restrictive eligibility criteria to reduce the number of qualified borrowers. The Administration proposes to continue Eximbank guarantees at the \$8 billion program level for 1983. The Administration feels that the reductions in program levels are necessary to insure the targeting of resources in the most efficient manner and to reduce federal subsidies that distort market forces.

#### Foreign Military Sales Credits

Foreign military sales credits consist of direct credits and loan repayment guarantees to enable foreign governments to purchase U.S. defense goods, services, and training. New lending activity in 1983 is estimated to be \$5.6 billion, an increase of \$1.8 billion above the 1982 level. Direct loans would total \$1.7 billion, an increase of \$989 million over 1982 appropriations. New loan guarantee commitments would increase by \$845 million, to \$3.9 billion in 1983. Direct loans made by the Federal Financing Bank (FFB) and guaranteed by this program would increase to the same levels. All the foreign military sales credit activity is financed through the Federal Financing Bank and as such is considered to be off-budget direct and guaranteed loan activity.

### Economic Support Fund

The Economic Support Fund is used primarily to provide economic assistance in the form of grants or direct loans to certain countries to support U.S. efforts to achieve stability in these areas. Loans from the fund require annual authorization and appropriations equal to their face value.

In the past, loans requested from the fund have been converted to grants through Congressional action. As a result of the conversion to grants, only \$216 million in direct loans are expected to be obligated for 1982. For 1983, the Administration has requested a limitation of \$895 million, an increase of \$679 million.

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
NASA Satellite Leases <u>a/</u> Off-Budget Federal Entity Federal Financing Bank <u>b/</u> NASA satellite leases	---	---	---	111	206	171
Subtotal	111	206	171	---	---	---
Less Guaranteed loans held as direct loans by the FFB NASA satellite leases	---	---	---	-111	-206	-171
Total, general science, space and technology	111	206	171	---	---	---

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

There is only one credit program in function 250: guarantees by NASA of loans to Western Union Space Communications, Inc. for the construction of the Tracking and Data Relay Satellite System (TDRSS). The Federal Financing Bank provides direct loans to Western Union, which are guaranteed by NASA through a ten-year service contract. For 1983, the Administration estimates new loan guarantee commitments of \$171 million.



FUNCTION 270: ENERGY

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Tennessee Valley Authority a/ Alternative Fuels Pro- duction a/ Biomass Energy Devel- opment	102	83	80	3,624	4,285	5,289
Geothermal and Other	---	---	---	3,253	---	---
Off-Budget Federal Entities	---	---	---	---	700	---
Rural electrification and telephone re- volving fund a/ b/ Federal Financing Bank c/ Tennessee Valley Authority	4	40	62	45	2	---
Rural electric and telephone re- volving fund	1,100	1,100	700	5,131	4,245	3,760
Alternate fuels production	3,624	4,285	5,289	---	---	---
Other energy pro- grams	4,690	4,934	4,661	---	---	---
Subtotal	---	470	915	---	---	---
	18	28	---	---	---	---
	9,538	10,941	11,707	12,053	9,233	9,049
Less						
Loan assets sold to the FFB and associated guarantees						
Rural electrification and telephone re- volving fund	-683	-623	-525	-683	-623	-525

(Continued)